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**CHILDREN
& FAMILIES**

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Enhancing Public Trust in Government

IG Investigation

2004-0065

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*"Provide Leadership in the promotion of
accountability and integrity of State Government."*

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Office of Inspector General
Investigations
Report Summary
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Introduction:

This investigation was initiated on July 22, 2004, based on information received from David W. Alderman. The information concerned Developmental Disabilities (DD)¹ group homes operated by Mr. Alderman's brother and sister-in-law, Karl and Elizabeth Alderman, under the non-profit business name of Alderman Group Home, Inc. David Alderman said he was suspicious of how Karl and Elizabeth obtained the means to live an extravagant lifestyle and purchase expensive homes by operating publicly funded group homes. He alleged that they misused public funds; however, he was unsure of which specific source of funding was involved. He therefore alleged that Karl and Elizabeth Alderman misused at least some Department funds.

In support, David Alderman was only able to provide limited information. He said in early 2001, Elizabeth Alderman told him she used the group homes' business account to pay electricity bills for their private home at 5800 SW 198th Terrace, Southwest Ranches, Florida. Ms. Alderman also told him she used her consumers' (DD clients) food stamp cards to purchase personal groceries. No further specific information was available.

Alderman Group Home, Inc. was initially registered with the Florida Department of State, Division of Corporations, on July 26, 1999. Elizabeth and Karl Alderman are currently listed as the president and vice-president, respectively. In District 10, the business is currently licensed for two group homes at 5100 and 5800 SW 198th Terrace, Southwest Ranches, Florida. (The latter is also the Alderman's private rented residence and was licensed as a group home on May 1, 2001.) In District 11, the business is currently licensed for one group home at 8328 NW 201st Terrace, Miami, Florida.

Group home licensees are eligible to receive public funds from various sources such as the Med-Waiver program² and Supplemental Security Income (SSI),³ as representative payees for their consumers. The amount of Department general revenue funding depends on a consumer's eligibility to receive the maximum SSI amount. If a consumer receives less than the maximum, the Department reimburses the group home licensee as a Long Term Residential Care (LTRC) payment. Within the above is a "personal needs allowance" of \$82.83 per month specifically for the consumer's personal use.⁴ Depending on the situation, this may or may not originate from Department general

¹ On July 1, 2004, as mandated by the 2004 Florida Legislature, DD became the Agency for Persons with Disabilities.

² A Medicaid program providing home and community based supports and services to eligible persons with developmental disabilities living at home or in a home like environment.

³ This program, managed through the Social Security Administration, provides monthly income to people who are age 65 or older, or are blind or disabled, and have limited income and financial resources.

⁴ See Chapter 65-6.018, F.A.C.

revenue funds. In addition, consumers may also be eligible for public assistance benefits in the form of Electronic Benefit Transfer (EBT) cards for food, and this may be paid directly to the representative payee or the consumer. As an example of Department funds, in fiscal year 2003/2004 District 11 provided \$39,864.45⁵ of LTRC to seven DD consumers in the Alderman homes. In the same period, Medicaid funded approximately \$959,000.

During the period the complainant alleged misuse of Department funds (fiscal year 2000/2001), District 11 contracted with Alderman Group Home, Inc. (contract #KLE86) to provide LTRC for an amount of \$31,000 that was subsequently amended to \$7,752. No subsequent contractual arrangements have been entered into by any district.

Allegations and Investigative Findings

Allegation:

Karl and Elizabeth Alderman, as the Developmental Disabilities licensed owners of Alderman Group Home, Inc., misused Department general revenue funds.

Findings:

The information obtained *neither supports nor refutes* the allegation.

According to Financial Specialist D. James Craig, in any business, profit or non-profit, there should be a distinct separation of business and personal expenses and payment of personal expenses from business funds should be avoided whenever possible. He said in the event that a private residence is also used to some degree as a business, such as a licensed group home, there should be "systematic and rational documentation" of the allocation of shared costs to personal and business use, as well as a separate accounting of personal and business expenses. He said if the preponderance of a residence was for business use, a single payment for shared costs such as a utility bill could be made from the business account, as long as the business was promptly reimbursed for all costs applicable to personal living space. He said it was the licensees' fiduciary responsibility to place the consumers' "personal needs allowance" in separate accounts.

According to Department personnel interviewed, there are no specific Department rules regarding how Department funds provided to group home licensees should be managed⁶. There are also no current contractual arrangements with Alderman Group Home, Inc. Regular annual and monthly reviews are conducted by various Department employees concerning group home operations in District 10 and 11. However, they are (for the most part) consumer based reviews.

⁵ An additional \$27,940 was provided to one consumer for a nine-month period in the form of a residential habilitation payment.

⁶ Chapter 65B-6, Florida Administrative Code, requires accounting practices of group homes to conform to "basic accounting procedures" and that financial records identify group home facility expenses.

District 10 Human Services Counselor III Shirley S. Rebarber and District 11 Human Services Program Specialist Karen A. Richards conduct monthly LTRC reviews and monitoring of group homes, including the Alderman group homes. Each month they select a specific consumer in each home and focus their attention on various aspects of the consumer's care. The review also examines the environment of the group home and ensures there is sufficient food for the consumer. It includes an examination of a particular consumer's trust funds and examines the consumer's income and expenditures to ensure they are being appropriately recorded with all receipts accounted for. No examination is made of the business and personal expenditure of the entire group home during these monthly consumer reviews. Ms. Rebarber said she has not found any misuse of consumer's funds at the group home.

District 10 Senior Human Services Program Specialist Susan Ramirez and District 11 Operations and Management Consultant II Sarah H. Blum conduct annual licensing inspections of group homes which, in part, includes reviewing the provider's annual budget, consumer's trust funds and group home financial records. To the extent that financial records were reviewed, no specific problems were noted regarding misuse of Department funds by the Aldermans.

Elizabeth and Karl Alderman denied misusing Department funds at any time. They said all Department funds were deposited into the business account, along with funds from other sources such as Medicaid. From that account, they said they disbursed monies for various purposes, but solely for the operation of the group homes. Personal expenses such as utility bills were paid directly from their personal accounts which were derived from the salaries they paid themselves from the business account. The Aldermans provided an April 2004 "Transaction Detail by Account" expenditure list, which showed monthly expenditures from their Bank of America business account into which funding from all sources were deposited. There was no indication that personal utility bills were paid from that account, however it was impossible to determine whether specific items were for personal or business usage.

The April 2004 "Transaction Detail by Account" expenditure list also showed other questionable expenditures, some of which were: Two cash payments totaling \$131,553.52 listed under "Director's Comp Not Including Payroll," and \$17,000.00 as "Loans to Shareholders." Karl Alderman said these were "bonuses" paid to he and Ms. Alderman. According to Mr. Craig, a non-profit business has no shareholders. Under "Payroll," the transaction detail showed Karl and Elizabeth Alderman paying themselves a salary of \$12,072.68 in the month. Other entries showed "Business Lunches" totaling \$403.68, and "Recreation" totaling \$11,183.00. Under "Recreation" was listed \$4,681.93 as "Pro Player Stadium" and \$3,868.57 as "Miami Heat."⁷

Concerning the "personal needs allowance" paid to consumers, the Aldermans said only one of their consumers received the allowance. However, they said it was not deposited

⁷ Pro Player Stadium is the home of the Miami Dolphins. The Miami Heat is a Miami basketball team.

into a separate account because it was fully spent each month on the consumer's transportation needs. Ms. Rebarber verified the expenditure, and directed the Aldermans establish a separate account for the consumer.

The Aldermans denied using consumers' EBT cards to purchase personal groceries. They said that at no time did any of their consumers receive EBT cards. They also denied receiving or using EBT cards as the representative payees for their consumers. Elizabeth Alderman, as the President of Alderman Group Home, Inc. provided a written sworn statement denying all aspects of the allegation.

Economic Self-Sufficiency Specialist Supervisor Richard S. Shea has been in charge, in part, of issuing EBT cards to District 10 group home licensees as representative payees of consumers. He said no one representing Alderman Group Home, Inc. has applied for EBT cards on behalf of consumers in the past six years. However, he said that did not preclude an individual consumer from applying for an EBT card and the group home owner fraudulently using it. However, a review of FLORIDA (Florida Online Recipient Integrated Data Access) records of all current District 10 and 11 consumers in the Alderman group homes showed no current consumer ever receiving EBT cards.

Concerning the period during which contract #KLE86 was in existence (fiscal year 2000/2001), no administrative or programmatic contract performance unit monitoring was conducted by District 11 to assist in determining whether misuse of Department funds occurred.

A former employee and director of Briar Patch Group Home, Inc.,⁸ Marcelo A. Kostzer,⁹ indicated that in about March or April 2004, Karl and Elizabeth Alderman visited the group home in a new BMW for which they said they paid cash. Mr. Kostzer said he heard them say that at about the same time, they purchased a new \$50,000 horse trailer with cash. Mr. Kostzer said he was aware that Cornelia and Elizabeth Alderman occasionally lunched together and Cornelia Alderman wrote the lunches off as "business expenses," and that Karl Alderman purchased season tickets to various sporting events but mostly took friends rather than their consumers to the events. Karl Alderman denied any misuse. *(Note: Further investigation into these matters was not conducted due to information concerning Medicaid overbilling.)*

According to a May 17, 2004 email written by District 11 Human Services Program Specialist Joy Joseph, "[Alderman Group Home, Inc.] has overbilled [Medicaid] \$760,199.27. (Dist 11 \$429,954.83, Dist 10 \$330,244.44)." The matter was subsequently referred to the Office of Medicaid Program Integrity of the Agency for Health Care

⁸ The owner of this group home, Cornelia Alderman, was David Alderman's former spouse and therefore former sister-in-law of Karl and Elizabeth Alderman. According to David Alderman, Cornelia Alderman has a continued relationship with Karl and Elizabeth.

⁹ Mr. Kostzer said he was Cornelia Alderman's former paramour and involved in the operation of Briar Patch Group Home.

Administration (AHCA) who referred the matter to the Florida Attorney General's Medicaid Fraud Unit.

Inspector General's Comments:

This investigation *neither supports nor refutes* the allegation that Karl and Elizabeth Alderman specifically misused Department funds. The investigation revealed that the group home operators deposited funds from all sources into one operating account, and that the records maintained made it impossible to determine whether specific items were for personal or business usage.

A sample review of one month of their business account showed several significant expenses that warrant further inquiry. As Medicaid provides the majority of funds for Alderman Group Home, Inc., a copy of this investigation will be forwarded to the Florida Attorney General's Medicaid Fraud Unit for further investigation into the group home expenses and possibly Medicaid over-billing totaling \$760,199.27.

It should be noted that although the supporting information provided by David Alderman referenced information that was three years old, there was no current indication that the Aldermans used consumers' EBT cards. There was also no information to show that the Aldermans inappropriately used Department funds to pay for the electricity bills of their private home that was also licensed as a group home.

Chapter 65-B-6, Florida Administrative Code, *requires group home operators to maintain financial records that identify each group home facility expense.* It is recommended APD review the contents of this report, and take corrective action to ensure that the group home is complying with rule requirements concerning separation of group home facility expenses from personal expenses. It is further recommended that the Director of APD review the findings contained in this report and take the appropriate corrective action to ensure appropriate fiscal monitoring of group homes is occurring.

This investigation has been conducted in accordance with the ASSOCIATION OF INSPECTORS GENERAL Principles & Quality Standards for investigations.